Searching for Economic Development Equity

An Overview of Leading Economic Development Entities in Atlanta, Detroit, St. Louis, New Orleans, and Memphis: Structure, Organization, and Activities




Commissioned By:

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An Overview of Leading Economic Development Entities in Atlanta, Detroit, St. Louis, New Orleans, and Memphis: Structure, Organization, and Activities

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Acknowledgment

Community LIFT, seeking to broaden how economic development is defined and conducted in Memphis, commissioned this report to explore the organizational structure, activities, and funding models of lead economic development agencies in cities that share similar population size and demographics as Memphis. This report is not meant to be an apples-to-apples comparison, as each city's economic development agency and chamber of commerce is different. It is, however, meant to serve as useful information on other structures, activities, and funding models to aid leaders in Memphis in their exploration of more aggressive and expansive economic development strategies.

EXECUTIVE SUMMARY

Memphis has been experiencing unequal economic development. Some neighborhoods are growing while other are stagnating or even declining. There are several reasons why equity and inclusion are not improving in the city. This paper examines how economic development activities are structured and organized in Memphis as one explanation for its current growth challenges.

We provide an overview of how Memphis' main economic development agency, Economic Development Growth Engine, or EDGE, is organized and structured and we offer organizational information on four other local or regional agencies: Invest Atlanta, Detroit Economic Growth Corporation, St. Louis Economic Development Partnership, and New Orleans Business Alliance. We pay special attention to company recruitment, small business development and neighborhood revitalization. In addition, attention is given to staff size, not to imply that bigger is better, but as one measure of the breadth of work being done and the capacity to execute that work.

EDGE mainly concentrates on providing and administering incentives. Other cities' agencies, while also performing this function in various capacities, have more comprehensive roles in economic development. EDGE performs fewer activities related to marketing the city to new employers; this function is performed primarily by the Greater Memphis Chamber. The agency's neighborhood revitalization is mostly done by providing tax abatement programs. In other cities, agencies' work scopes include support for the creation of affordable housing (Atlanta), transit-oriented development (Atlanta, St. Louis), talent attraction and retention (New Orleans), and small business growth and start-ups (New Orleans, Detroit). All of the other lead economic development organizations perform marketing and corporate recruitment in-house, in cooperation with local chambers of commerce and other entities.

INTRODUCTION

Memphis, like many other cities across the country, is experiencing unequal growth. While some neighborhoods are benefiting from new development, increased investments and an increase in high-paying jobs, others are experiencing decline or lagging in growth.[1]

A recent Urban Institute study on inclusive urban growth found that investing in underserved communities—focusing on inclusion and supporting human capital—pays off with stronger economic development. The converse is also true, as the Institute found for Memphis: Between 2000 and 2013, the latest data available, the city has become less inclusive, falling from 208th to 253rd out of 274 cities, in the Institute's overall inclusion rankings.[2]

There are several reasons why growth in Memphis is not equal and why inclusion is stagnating. To change the existing dynamics, a number of different actions need to be taken and diverse organizations need to be engaged and coordinated. This paper examines how economic development activities are structured, organized, and financially supported in Memphis as one explanation for its current growth challenges.

This paper looks specifically at the activities, structure and resources of the Economic Development Growth Engine (EDGE), Memphis and the Shelby County's regional economic development agency. This report provides examples from Atlanta, Detroit, St. Louis and New Orleans, looking at how these cities organize their economic development agencies and activities. We pay special attention to company recruitment practices, small business development activities and neighborhood revitalization efforts. Our charge was to explore other models that might bring Memphis greater equity and inclusion. Some elements of these other models might be directly applicable in Memphis; some elements would likely need to be modified to fit Memphis and its regional characteristics; others may not fit at all given state and local policies.

Snapshot of Memphis' Economy[3]

Memphis is a port city, air hub, interstate highway crossroads and railroad junction, and its economy has historically been dominated by the transportation and logistics industries. The main economic development activities have been focused on providing tax abatements and other assistance to larger companies.

The region lags behind the nation in employment growth (less than one percent vs. 2.5 percent, respectively, between 2011 and 2015) and has experienced difficulty in attracting and growing knowledge-based jobs and diversifying its economy. As well, job

quality lags: the majority of jobs created in the region pay low wages (43 percent of workers in Memphis earn less than $15 per hour, compared to 30 percent of all U.S. workers).

A significant number of buildings in older neighborhoods do not meet modern standards for warehouses or distribution centers. Therefore, the industries that the city tries to attract or retain (also by providing tax incentives) mostly choose to locate in industrial zones that have more suitable buildings or available land for new construction. These zones are located on fringes of the city. As a result, new blue-collar jobs are concentrated in industrial zones, and white-collar jobs and associated service-sector jobs are concentrated in the Poplar/I-240 Corridor and the downtown where the Memphis Downtown Commission has been leading revitalization efforts, seeking to attract and retain corporate headquarters.

Not surprisingly, the neighborhoods experiencing the strongest growth are the ones near job centers or those that have good transit access to those jobs (Downtown, East Memphis, Medical District, Midtown, and the University District). Neighborhoods farther away from those job centers have experienced decline or stagnation. Many of the job centers on the fringe of the city are very poorly served by transit connections to places with the highest unemployment.

While the city leadership recognizes the need to support small businesses, especially minority and women-owned enterprises, economic development activities are focused on assisting large companies and developers, leaving fewer resources available to help small businesses.

INVEST ATLANTA[4]

Organizational Structure

Invest Atlanta is a governmental body and an official economic development authority of the City of Atlanta. The agency includes the Urban Residential Finance Authority, Downtown Development Authority and the Atlanta Economic Renaissance Corporation.

The agency is led by a nine-member board of directors, chaired by the Mayor of Atlanta, with members appointed by both the mayor and the City Council. The mayor and the council have the power to influence the agency– meaning they are able to ensure that the priorities and the strategy of the agency are aligned with that of elected leadership

Activities

The agency brings economic and community development under one umbrella. Its functions include traditional economic development activities such as recruitment, retention and expansion, working with site selectors, and managing incentive programs. It also includes a wide range of other development activities such as: supporting small businesses, entrepreneurs and innovation; providing funding and support for the construction of affordable housing; promoting home ownership; and leading neighborhood redevelopment, including transit oriented development.

The agency manages a number of programs, including:

- seven residential housing incentives (tax exempt bonds, low-interest loans, and grants for affordable housing, including one federally sponsored program and one homelessness prevention program);
- six home ownership programs for low-income individuals;
- six business attraction and expansion programs (bonds, grants, loans, property tax abatements and workforce development programs); and
- nine small business development programs (loans, including a federal program, grants, gap financing and brownfield redevelopment loans).

The organization contracts with the city of Atlanta to manage projects and federal grants such as the U.S. Department of Housing and Urban Development's Choice Neighborhood Program.

Recruitment

The agency performs corporate attraction and external marketing in-house. Those efforts are focused on targeted industries (financial technology, corporate headquarters, logistics, health IT, cybersecurity and film/television production). The services include working with site location consultants on finding optimal sites for companies and helping companies to secure state and local incentives.

Invest Atlanta coordinates with the Georgia Department of Economic Development and the Metro Atlanta Chamber during the recruitment process. The Chamber plays a support role in marketing the region and helps companies with customized market research, real estate research and talent recruitment. It also connects companies with federal, state or local business recruitment agencies.

Small Business Development

Invest Atlanta has initiatives dedicated to start-ups, culture-creative individuals and small businesses. Some of the services supporting start-ups and the creative class include:

- low-interest loans for small businesses and entrepreneurs in the film and entertainment industry;
- iVillage at MLK, a transit oriented business incubator that will soon open for companies and entrepreneurs with commitments to the local neighborhood (the project is partially funded by a TIGER grant from the U.S. Department of Transportation);
- a program that subsidizes internships for Atlanta students at Atlanta start-ups.

Small business services include nine low-interest loan programs, four of which target low-income areas. For example, one program provides low-interest loans for street vendors to purchase vending carts; another program provides loans to small businesses located in distressed neighborhoods. Other assistance includes working with businesses on accessing incentives and financing, finding skilled workers and suitable sites.

Community Investment

Invest Atlanta provides support for development of workforce housing. It administers several low-interest loan programs for residential development with affordable units. Some of the loan programs are area-specific. The authority also provides fee-for-service technical assistance to developers.

The agency also administers five active tax increment financing districts, in Georgia called Tax Allocation Districts. (By state law, no more than 10 percent of the city's tax base can be captured by TADs.) The tax increment generated in the district is used for public infrastructure improvements and affordable housing within those districts.

Incentives

Invest Atlanta manages the city's economic development incentives, which include bond financing, revolving loan funds, housing financing, Tax Allocation Districts (TADs) and tax credits.

Invest Atlanta can issue lease-purchase bonds, in which the agency takes ownership of a private property, thereby making it exempt from property taxes. After 10 years, the property converts to private ownership. In FY 2017, the officially-stated annual cost of this program was $384,000.[5] The largest incentive used by the agency is TAD. Between 2015 and the summer of 2017, Invest Atlanta approved $68.4

million for 42 public and private TAD projects, including a street car route, housing with a mix of market rate and affordable units, and a YMCA.

In 2018, Invest Atlanta was also approved for $60 million in New Markets Tax Credits by the U.S. Department of the Treasury.[6]

The Board of Directors awards incentives in public sessions that are held the third Thursday of each month. The date, time, location and agendas for upcoming meetings are posted online and include information on each specific incentive application.[7]

Staff

To support the wide range of activities, Invest Atlanta has a large and diverse staff of about 55 with six on the executive team and ten in management.[8] Their expertise includes planning and strategic development, community development, economic development, investment, and small business development. In FY 2017, Invest Atlanta's cost for salaries and benefits was $6.5 million.[9]

Finances

The total operating revenue of the entire authority in 2017 exceeded $25 million. The city contributes $3.4 million towards its administrative costs[10] and contracts with the agency to administer federal programs. Invest Atlanta is also supported by application fees on a number of incentive programs it manages.

Strengths and Weaknesses

Strengths: The authority combines various economic and community development functions, making this model more coordinated and comprehensive. This helps break down bureaucratic silos: for example, while the agency works to retain and attract companies, it also has programs that support adequate housing for new and existing workers (knowing that housing can be a major retention or attraction issue). This is a large, multi-function agency that also administers a variety of small business development programs. Transit-oriented development is a part of the agency's strategy for neighborhood revitalization.

Weaknesses: Atlanta still experiences significant racial segregation and disinvestment in certain neighborhoods. Some projects supported by Invest Atlanta, such as the Belt Line, have caused gentrification and sharp increases in rents and home prices. The authority has also been criticized for providing more favorable attention to large companies, not informing residents about its meetings in a reasonable amount of time, and for not sufficiently involving residents in its planning process.[11]

DETROIT ECONOMIC GROWTH CORPORATION (DEGC)[12]

Organizational Structure

Detroit Economic Growth Corporation is what we call a captive non-profit organization: it contracts with the city to perform economic development duties. Though technically non-governmental, it is governed by a 42-member board composed of civic leaders, corporate executives, and government officials who are appointed by the Mayor and confirmed by Detroit City Council. In recent years, the mayor has sought to exercise greater influence over DEGC to create greater alignment with priorities set by elected officials.

Activities

The main responsibilities of the organization are the retention of existing employers, the recruitment of new ones and marketing of the region. The agency focuses its business development efforts on selected industries: automotive and advanced mobility; advanced manufacturing; emerging industries (technology); food processing; and medical health.

DEGC provides staffing and administrative services to seven public authorities including the Brownfield Redevelopment Authority, the Downtown Development Authority, the Economic Development Corporation and the Local Development Finance Authority.

Recruitment

DEGC prioritizes business retention over business recruitment.

To attract foreign direct investment, the organization provides companies with customized research and data analysis, site location support and, via its partnerships, help with hiring and financing. DEGC's *Build in Detroit* program focuses on creating new export opportunities for local companies.

The Detroit Regional Chamber plays an active role in recruiting companies and marketing the 11-county region. It has a regional economic development strategy and business attraction team that attends trade missions and shows, does targeted company outreach, and convenes key business, government and civic leaders around regional economic development issues. During the business attraction and site selection process, the Chamber serves as project manager for companies and connects them with state, regional and local organizations that deal with real estate, incentives, and other services. It does not appear that the Chamber has an exclusive role in attraction; rather the Chamber, DEGC and other entities collaborate when opportunities arise.[13]

Small Business Development

A big part of DEGC's activities is small business development through technical assistance and other programs such as Motor City Match (a grant program for small businesses in commercial corridors), Motor City Re-Store (storefront improvement grants), and D2D (a program that connects Detroit companies with local suppliers).

DEGC partners with other organizations via the Detroit Business Support Network to strengthen and support small businesses in the city.

Community Investment

The organization plays a major role in real estate development of the city by doing research and analysis, acquiring land and managing construction. The main local partners include the City of Detroit Planning and Development Department, the City of Detroit Housing and Revitalization Department and the Detroit Land Bank Authority.

Incentives

In the incentives award process, DEGC works with a company on reviewing statutory requirements. Then it collects the application, performs a financial review of the project, and then provides a recommendation to the city for incentive approval or rejection. Incentive awards are approved by the city council in a public session. The State Tax Commission is responsible for the final approval of incentives.[14]

The economic development incentive programs used by DEGC to attract and retain companies include: 12 Renaissance Zones (that provide various tax waivers); generous long-term property tax abatements for commercial, residential and industrial/manufacturing development; various financing and grant programs for small businesses; and a city workforce development program.

In FY 2017, the city's officially-stated cost of various local property tax abatements (excluding affordable housing abatements) was $26.5 million.[15]

Staff

To supports its functions, DEGC has more than 40 staff members, including 16 in leadership positions. About 10 of those, including three in leadership, work on small business development. Nine dedicate their time to real estate development.

In 2016, DEGC spent $5.4 million on salaries and benefits.

Finances

DEGC receives revenue from contracts with the city and from contributions from corporations.

In FY 2017, DEGC's total revenue was $6.9 million; $6.4 million came from contract work, $31,000 from service fees and $75,000 from interest on loans. In addition, $406,000 was restricted for two development programs: Detroit Industrial Revolving Loan Fund and Business Development Fund.

The contract revenue includes dollars received from the city for work related to performing economic development functions and from six public agencies for staffing and administering them. In FY 2017, DEGC was paid by:

- City of Detroit: $1.1 million
- Economic Development Corporation: $2 million
- Downtown Development Authority: $1.9 million
- Detroit Economic Growth Association: $590,000
- City of Detroit Brownfield Redevelopment Authority: $330,000
- Local Development Finance Authority: $125,000
- Eight Mile Woodward Corridor Improvement Authority: $50,000 (the authorities receive funds from various sources such as property tax, earnings on investment, or Tax Increment revenue).

Another $275,000 came from other unspecified contract work.[16]

In FY 2018, the City increased it budget appropriation for DEGC by $288,000 to allow for hiring seven District Business Liaisons, who will build relationships with neighborhood-based businesses.[17]

A major effort is also put into winning foundation grants for small business development and community revitalization work.

Strengths and Weaknesses

Strengths: DEGC manages a broad portfolio of small business development programs and uses a variety of financial resources such as federal and private foundation grants to fund its initiatives.

Weaknesses: The main issue with this privatized DEGC model is its lack of transparency. The organization does not even disclose online who is on its board (though that list is available on its federal tax return, which is a public document) or which companies have provided donations in support of the organization (facts even a casual observer would want to have, in order, for example, to look for apparent conflicts of interest or insider dealing in regards to incentive awards). This could be a problem as DEGC provides financial analysis of proposed incentives and recommends actions to the city council.

ST. LOUIS ECONOMIC DEVELOPMENT PARTNERSHIP (SLEDP)[18]

Organizational Structure

SLEDP is also structured as a non-profit organization and is governed by an 11-member board that encompasses city and county officials, business organizations (Hispanic Chamber of Commerce, Regional Business Council), individual businesses, Washington University, and retired individuals. The board of directors is appointed by the County Executive and by the St. Louis Mayor.

Activities

The St. Louis region overhauled its economic development system in 2013 when the St. Louis Economic Development Corporation and St. Louis County Economic Council partially merged to create the St. Louis Economic Development Partnership. SLEDP was created to better coordinate economic development activities in the region and to eliminate competition between the city and the county in company recruitment.

However, both the City and County still maintain their own economic development agencies. While those agencies work on hyper-local community and economic development, SLEDP concentrates on large-company recruitment and retention and marketing the region. SLEDP's activities are closely coordinated with both local agencies.

In 2017, SLEPD partnered with the St. Louis Development Corporation to create a comprehensive economic development strategy for the region. A big part of the strategy is focused on repurposing and redeveloping vacant properties across the region, transit oriented development, small business and entrepreneurship development, and increasing cooperation between localities and stakeholders. Special attention is devoted to poorer areas in north St. Louis and north St. Louis County.

SLEPD runs a range of initiatives and provides administrative staff for various development projects. Each of the organization's activities and authorities has its own board, with the SLEDP board overseeing all activities.

Recruitment

Business recruitment and retention are done in-house; the partnership focuses most of its attention on retention and expansion. The business development team has nine members whose tasks include providing information on state and local incentives.

The St. Louis Regional Chamber coordinates with SLEDP in company recruitment and plays a support role for businesses that wish to relocate or expand in the region. The Chamber provides companies with information on various matters such as real estate, taxes, talent

recruitment or incentives. In April 2018, the Chamber reorganized its economic development functions to have a bigger role in marketing the region and in business recruitment efforts.

Small Business Development

SLEDP's main activities related to small business development include promotion of innovation and entrepreneurship. The agency administers 39 North, an AgTech innovation and research district; it also runs five business centers and provides financing for start-ups and small companies. In April 2018, SLEPD launched a crowdfunding platform for local start-ups (it claims to be the first crowdfunding platform launched by a regional economic development organization in the country[19]).

Neighborhood revitalization projects are run by local agencies but SLEDP supports real estate development across the region by providing technical assistance and project management to municipalities and private developers. A team dedicated to those activities has seven members.

Tax Increment Financing, Transportation Development Districts and Community Improvement Districts are used to develop commercial and industrial sites.

Incentives

SLEDP attracts and retains companies by assisting them with navigating the incentive programs, including the application processes. City incentives recommended by SLEDP are in turn approved by the St. Louis Development Corporation board.

The main incentive tools used to redevelop the region are: Chapter 353 Tax Abatements; Chapter 100 Tax Abatements (city and county real and personal property tax abatements and sales tax exemptions on construction materials); Enhanced Enterprise Zone Tax Abatements (city and county real property tax abatements); Tax Increment Financing; Transportation Development Districts; and Community Improvement Districts. The organization also offers assistance with permitting and Environmental Improvement and Energy Resource Agency grants, which can be used to buy or refurbish equipment or for technical assistance.

The officially-stated cost of St. Louis economic development tax abatements in FY 2017 was $5.2 million. For most of those deals, the city has to hold a public meeting and approve an ordinance allowing abatements.[20] In FY 2016, St. Louis County reported $808,578 in tax revenue foregone to two abatement programs.[21]

Staff

SLEDP is the largest organization we looked at. It has about 70 staff members, including 21 in leadership. The staff is organized into nine teams dedicated to different activities:

- two staff administer 39 North, an innovation and research district;
- two staff work at the advanced manufacturing team;
- the business development team has nine members;
- the business finance team has ten members;
- six work on innovation and entrepreneurship and run the five business centers;
- the real estate and community investment team has seven members;
- three staff work for the Mosaic Project, a regional public-private initiative focused on attracting immigrants and innovation; it is done in cooperation with the World Trade Center in St. Louis.
- Promise Zone team, an initiative to redevelop a federally designed high-poverty area in parts of North St. Louis City and North St. Louis County, has three members;
- World Trade Center St. Louis has seven staff members that promote trade and global connectivity among St. Louis businesses.

In 2017, the organization spent $5.5 million in salaries, other compensation and benefits (this excludes employees working on STLVentureWorks, World Trade Center -St. Louis, and STL Partnership CDC).[22]

Finances

In FY 2017, SLEDP's general revenue was $15 million. St. Louis County and the City contributed $5.8 million; another $6 million came from unspecified grants; $1.8 million came from contributions and private contracts; fees were $1.3 million; and earnings on investment brought $77,000.[23]

In FY 2018, St. Louis County contributed $3.97 million to the Partnership. The contribution went down from $4.8 million in FY 2017 and $4.2 million in FY 2016.[24] A breakdown of the city's contributions was not readily found.

Strengths and Weaknesses

Strengths: SLEDP's model includes a comprehensive scope of work and access to resources sufficient for broader programs. A comprehensive economic development regional plan informs the organization's activities. Transit oriented development is a component of neighborhood revitalization.

Weaknesses: Regional growth in St. Louis is still very uneven. While some areas have experienced an increase in development, rising wages and an influx of well-educated people, other parts of the region are still poor and residents have fewer chances for upward mobility. The regional redevelopment strategy relies heavily on economic development subsidies such as tax increment financing that could, over time, weaken the fiscal health of the city and county.

NEW ORLEANS BUSINESS ALLIANCE (NOLABA)[25]

Organizational Structure

NOLOBA, a public-private partnership, was created in 2010 by the mayor of New Orleans and business and civic leaders. It contracts with the city (a new Cooperative Endeavor Agreement, or CEA, was signed in September 2017) to perform economic development activities. Its 17-member board is composed of business leaders (including its chair), the mayor and one New Orleans City Council member. Dates, times and locations of the board meetings are published in advance on the organization's website for the whole calendar year.

Activities

NOLOBA combines traditional economic development functions such as recruitment and retention, external marketing, small business support, and talent retention and recruitment (via the "504ward" initiative, a reference to the state's signature Area Code).

In 2013, NOLABA created a five-year strategic plan for economic growth called ProsperityNOLA. The plan was commissioned by the mayor and is being implemented by NOLABA. The plan focuses on five industries with the greatest projected return on economic development investment for the city: digital media, sustainable development industries, trade and transportation, biomedical innovation and advanced manufacturing. NOLABA focuses on those five clusters emphasizing small enterprise development, start–ups, recruitment and collaboration between various actors. NOLABA also works to attract retailers to the city.

In 2017, the City Council approved a three-year partnership between NOLABA and The Network for Economic Opportunity, a city workforce development initiative that was created in 2014 as a result of the ProsperityNOLA plan. The Network connects disadvantaged job seekers with employment opportunities. The new structure, which is scheduled to start operating sometime in 2018, focuses more attention on place-based and people-based development. Under the structure, NOLABA will be "a single point of entry for business attraction, retention and workforce development" and will expand its work on small business development, according to a NOLABA press release.[26]

Recruitment

Corporate attraction is done by NOLABA. The organization participates in various national industry events and takes over leads sent from the state development agency. NOLABA works directly with businesses to choose a site within the city, helping to narrow site options and organizing site visits. In addition, the organization helps businesses with accessing incentives, market research and workforce development.

The organization runs a marketing program called The New Orleans Economic Development Ambassadorship Program. In a seven-week training program, local business leaders are trained on the local economy and local economic development to better advocate for the city.

It appears that the New Orleans Chamber of Commerce does not play a significant role in economic development or company recruitment. Greater New Orleans, Inc., a regional business-oriented economic development alliance, provides support to companies that relocate or expand in the 10-parish Southeast Louisiana region. NOLABA has invested over $100,000 in the organization (as well as the City of New Orleans). The organizations have teamed up, for example, on business networking events and conferences.

Small Business Development

NOLABA's role in small business development is to provide technical assistance and networking opportunities to companies and to help them access other local resources, such as assistance offered by various institutions and organization across the city. NOLABA does not itself administer any small business finance or other incentive programs.

In 2016, NOLABA received a three-year grant from the Surdna Foundation to work on "Main Street" business expansion and retention, with special attention on minority- and women-owned enterprises.[27]

Community Investment

Traditionally, NOLABA's work on community investment was limited to providing real-estate incentive analysis to the city. However, with its recent merger with the Network for Economic Opportunity, the agency plans to expand its work and the number of staff dedicated to place-making and real estate development.

NOLABA focuses it community investment work on "high-impact" neighborhoods, such as Claiborne Corridor Cultural Innovation District—an area known for blight, disinvestment and poverty. One of the projects supported by NOLABA, for example, includes a public market under a highway that runs through the neighborhood.

Incentives

The organization assists companies and developers in seeking local and state incentives (the City of New Orleans authorizes Restoration Tax Abatements and other discretionary incentives and the Industrial Development Board controls Payments in Lieu of Taxes, or PILOTs).

NOLABA's role in the incentive award process is to provide third-party financial, fiscal and economic analysis of projects applying for incentives. After reviewing incentive applications, NOLABA makes a recommendation to the Mayor's Office of Economic Development on whether incentives should be granted. If incentives are approved by the city, NOLABA serves as a liaison between the business and the city. The incentive award

process, including the NOLABA incentive application assessment model, is transparent and disclosed online.[28]

Staff

NOLABA has approximately 24 staff members whose tasks include industry attraction and retention, marketing and communication, work on attracting and retaining human capital and culture, small business TA referrals, managing a partnership for adult workforce re-entry from prison, neighborhood development, and coordinating partnership opportunities for youth, among others.

In 2015, the organization spent $1.4 million in salaries, other compensation and benefits.[29]

Finances

The total operating revenue of the organization in 2017 was $2.8 million, of which $2.4 million went towards general and administrative expenses (excluding pass-through grants and 504Ward program expenses).

Pursuant to the Cooperative Endeavor Agreement, NOLABA receives $1.5 million from the city.[30] The CEA requires NOLABA to also raise $500,000 from the private sector. A list of contributors, organized in donation-size brackets, is provided on the NOLABA website.

NOLABA also receives grants from national foundations for workforce development and small business/entrepreneurship work.

Strengths and Weaknesses

Strengths: NOLABA's online institutional transparency, even though it is also effectively a privatized structure, is much better than the other organizations we examined. In this model, NOLABA engages business leaders to become ambassadors for the city and helps companies narrow down their site selection. NOLABA's activities are informed by a comprehensive economic development plan driven by targeted priorities. It has expanded its activities to be a more comprehensive and coordinated organization.

Weakness: Like all of the cities covered here, New Orleans experiences racial and income segregation and struggles with making sure all residents benefit equally from the city's resurgent popularity, especially among tech and multi-media investors. Even though its donors are made transparent, whenever an entity that negotiates and recommends incentive awards is funded in part by private funds, the risk of conflicts of interest and/or insider dealing arise.

ECONOMIC DEVELOPMENT GROWTH ENGINE (EDGE)

Organizational Structure

EDGE was created in 2011 as a regional public organization to lead economic development efforts in Memphis and Shelby County. It is governed by an 11-member board appointed by the mayors of Memphis and Shelby County and confirmed by the Memphis City Council and Shelby County Commission. The board includes voting and non-voting members. The names of all its members are listed on the EDGE website.

Activities

EDGE represents the city and the county on economic development issues. The organization's goal is to "boost industrial development, bolster small business expansion, accelerate neighborhood revitalization, foster regional collaboration, and leverage the International Port of Memphis."[31] Besides large scale manufacturing and distribution centers, the agency does not list specific industries it tries to grow in the region.

Besides working on traditional economic development activities, such as marketing and managing economic development incentives (see below), EDGE manages the Depot Redevelopment Corporation of Memphis, the Shelby County Foreign Trade Zone 77, and the Memphis and Shelby County Port Commission. EDGE manages industrial sites within those areas.

In 2017, EDGE began managing and financially supporting the Greater Memphis Alliance for a Competitive Workforce, which remains a separate 501c3 organization. GMACWorkforce was launched in 2015 by the Greater Memphis Chamber and the Regional Economic Development Plan. GMACWorkforce staffs six industry councils to provide career pathway training for in-demand industries. It also manages two Department of Labor grants to train employees, including an America's Promised grant to train people for five occupations in the medical device industry.

Recruitment

The recruitment of new employers is led and performed by the Greater Memphis Chamber, a local membership-based business advocacy group. In 2014, the Chamber and EDGE signed a Memorandum of Understanding, which defines the Chamber's functions (the Chamber performs these functions without funding from EDGE, the city or the county).

In its role, the Chamber markets the region and is the first point of contact for companies that are considering locating in Memphis or Shelby County. The Chamber also promotes local areas to interested companies and represents companies in negotiations with the city. Once a business is sufficiently committed, the Chamber passes the deal to EDGE for incentive processing. The Chamber also works

to retain companies and represents the local business community on economic development issues (such as PILOTs and Open Records requirements).[32]

The Chamber is in charge of recruiting companies because, it is believed by economic development officials, Tennessee's liberal open records law would prevent a public entity, such as EDGE, from effectively performing that function. [33] (However, according to a state law passed in 2017, city or county economic development contracts can be kept confidential until a contract is presented to members of a respective governmental body. The intent of the law is to "allow economic development staff of a municipality or a county to negotiate in confidentiality to prevent other cities and counties from finding out who they were negotiating with, or their proposed terms, and competing with them," according to a blog by Tennessee Coalition for Open Government.[34])

The Chamber's economic development staff currently has 10 members who identify and respond to new leads, are the first point of contact in recruitment, and introduce companies to available incentive programs and to local sites.

Small Business Development

In contrast to its large-business programs and resources, EDGE offers fewer programs and financing opportunities for small businesses.[35] Technical assistance includes an Economic Gardening program in which EDGE offers small business access to consulting services. The Emerging Leaders program, sponsored by the Small Business Administration, offers classroom education for small business owners. EDGE also manages a financing program called Inner City Economic Development (ICED). This loan program provides forgivable loans of up to $25,000 for façade and other building improvements. Since its inception, $1.2 million has been provided to small businesses via 51 loans. Total projected capital expenditure for those projects is $4.8 million, with 471 jobs created or retained.[36]

Another small business assistance program, EDGE Impact Fund, that offers SBA-guaranteed loans of $150,000 to $2.5 million to businesses in Shelby County with between 2 and 500 employees, has been outsourced to the National Development Council, a national organization that works to increase investment in low-income communities.[37]

Like some other cities, Memphis seeks to spread some of the benefits of large-company subsidies to the small business community. EDGE's Payment In Lieu Of Taxes, or PILOT, program requires that recipient companies contract with local and minority businesses for 25 percent of construction spending and 15 percent of the savings a company enjoys through property tax abatements.

There are other small and entrepreneurial business initiatives across the city, with which EDGE cooperates, but does not lead. For example, The EPICenter has raised $30 million from various sources to work on closing gaps in entrepreneurship development. River City Capital Investment Corp. provides loans to small businesses, developers and community development groups in underserved

neighborhoods. Memphis Bioworks operates a business incubator.

Community Investment

EDGE was created to support industrial and large office development, and they are the largest portfolios within EDGE's activities. Employment and investment in these sectors frequently occur far away from older neighborhoods because buildings in those neighborhoods do not meet the requirements of new warehouses or distribution centers or the neighborhoods do not have amenities needed by a large office-based employer. Consequently, EDGE's PILOT awards tend to be located in newer industrial parts of the city.

While the main economic development tools used by EDGE are designed to attract and retain big companies, EDGE recently created Community Builder PILOT; its purpose is neighborhood revitalization. The program was created in cooperation with the Community Development Council of Greater Memphis, Community LIFT and other neighborhood development organizations and as a response to the growing need for investment in distressed neighborhoods.[38] The Community Builder PILOT can be only used in New Market Tax Credit areas. In addition, EDGE created Residential PILOTs to encourage investment in market-rate multi-family housing.

This approach to community revitalization, however, is driven by tax-based incentives only and not supported by other programs and initiatives that could lead to increased private and public investments, such as rehabilitation of aging infrastructure within the neighborhoods or transit-oriented development. In addition, Community Builder and Residential PILOTS require no new jobs to be created.

(There are other institutions and organizations that stimulate redevelopment of the city -- The Downtown Memphis Commission; Memphis and Shelby County Community Redevelopment Agency; and the Heath, Education, and Housing Facility Board.)

Incentives

The main activity of EDGE is the awarding and administration of incentives. The largest and most widely used of them, Payments In Lieu Of Taxes, or PILOTs, abates property taxes for up to 15 years. It also uses, to a lesser degree, tax increment financing. Two TIF districts administered by EDGE diverted $1.45 million in FY 2017.[39] (These figures do not include revenues lost to PILOTs granted by the Downtown Memphis Commission.)

EDGE's PILOTs tend to be concentrated within the newer industrial districts of the city and therefore far away from older neighborhoods. As well, many of the jobs provided by the subsidized companies are not well-paid, with about half of the subsidized jobs paying $40,000 per year or less.[40]

Between 2015 and 2017, EDGE approved 36 companies for property tax abatements. Their total cost was $173 million, with exemptions of up to 15 years. The average cost of a PILOT deal was $4.8 million. This stands in sharp contrast to a small business loan program administered by EDGE. Over the same period of time, the total value of all small enterprise loans was $819,418 and the average amount was just $21,500.[41]

Incentives are awarded by the EDGE board in public sessions which include public comment time. Information about the time and location of the meetings is posted on the EDGE website a few months in advance; the proposed agenda and project-related paperwork is posted about a week in advance. The announcements are issued via email as well. After the meeting, related documents including incentive applications remain posted to the EDGE website.

Staff

In contrast with the Greater Memphis Chamber's ten-person economic development staff, EDGE has seven employees working directly on economic development: there is the CEO, one Senior Economic Development Specialist, two program compliance staff, two communications staff, and one office manager. The agency has a total staff of 20: six at Port Commission, seven with GMACWorkforce, and seven at EDGE).

Finances

The total operating budget of EDGE (including the 13 staff who oversee the International Port of Memphis and GMACWorkforce) is $7.4 million in FY 2019— $2.7 million for EDGE, $2.8 million for GMACWorkforce, and $1.9 million for the Port Commission, with $1.5 million of GMACWorkforce's FY 2019 budget coming from feznty, nor from businesses. All of its funding comes from fees on programs administered by EDGE and from the leasing of land owned by the agency.[42]

Strengths and Weaknesses

Strengths: EDGE is a national leader in incentives transparency. Good Jobs First has twice rated the agency as one of the most transparent in the country. The process of awarding incentives is also transparent. The policy that requires PILOT recipients to contract with minority and small local businesses is also unique among the cities studied in this report. In an effort to establish target industries, an analysis is underway by Mass Economics that is sponsored in part by the City of Memphis, The Chamber, EPIcenter, Memphis Tomorrow, and EDGE.

Weaknesses: The division of labor between EDGE and the Chamber can be ambiguous to the general public, existing businesses, prospective companies, and site selectors. EDGE does not appear to be empowered by local government with steering economic growth strategically. Apparently, to the extent that economic strategy and priority-setting has happened, it has been largely led by business organizations. The Chamber is Memphis and Shelby County's business recruitment/marketing arm and as a private business association offers little opportunity for public accountability for its strategies, activities, or performance. EDGE, with no financial support from local governments and few alternative revenue streams, has little staff capacity to perform much more than its current activities. Small business development and neighborhood revitalization is a small part of EDGE's portfolio and is limited to administering incentives in those categories.

FINDINGS

This paper focuses on models of how economic development activities are structured and organized in four other cities –Atlanta, Detroit, St. Louis, and New Orleans.

In those cities, we looked at:

- The economic development agencies are engaged in more comprehensive work (traditional and non-traditional economic development activities) and play a bigger role in establishing economic development strategy, priorities and coordination. Either in-house or in partnership with other entities, they often align business recruitment and expansion, small business development, workforce development, and neighborhood revitalization and housing.

- The economic development agencies, not the business community, are clearly empowered by local government to be in the lead position for driving economic growth.

- The municipalities make annual financial contributions to the agency's capacity and economic development activities, either through direct grants or contracts. Some economic development agencies also work to win grants from local and national foundations.

- The economic development agencies play lead roles in recruitment and retention of businesses and focus those efforts on targeted industries.

- The economic development agencies are using additional tools, such as the ones highlighted in this report, including: bond financing, New Market Tax Credits, brownfield remediation, housing financing, and grants.

- The economic development agencies are utilizing an expanded suite of tools beyond incentives and tax abatements, in particular in relation to neighborhood development and small business development. Those include for example, incubators, crowdsourcing platforms, workforce housing and homeownership promotion.

- The economic development agencies, with guidance from government, have identified strategic neighborhoods (often older neighborhoods with infrastructure reinvestment needs) for targeted programs and resources. They also play a role in place-making and creation of affordable housing.

- Transit oriented development and improving public transportation are treated as an economic development activity.

- The economic development agencies play a role in attracting and retaining a skilled workforce, creative-culture talent and entrepreneurs.

- The agencies work to enhance regional cooperation and coordination between various agencies, organizations, and stakeholders.

ENDNOTES

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